

- DOJ costs of examining the electronic equipment
- Sports Tab Game Seller License - \$100 annually. An additional application fee is charged to cover processing costs of the initial application.
- Casino Night Permit - \$25

Gambling Taxes

- Video - 15.0% of gross income (defined as net of payouts) per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs - \$1.00 for each 100 sport tabs sold
- Annual permit surcharge - \$10.00 per machine for establishments with fewer than 20 machines, \$20.00 per machine for establishments with 20 machines

Distribution:

License Fees

- \$100 of the live card game table fee and \$100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
- All of the video gambling machine permit surcharge fee is deposited to the general fund.
- All other license fee revenue is retained by DOJ to cover administrative costs.

Gambling Taxes

- Video - All of video gambling tax receipts are deposited into the general fund.
- Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
- Sport Tabs – All collections are retained by DOJ for administrative purposes.

Collection Frequency:

Video tax – quarterly, machine permit fees – quarterly, other fees – annually

Major Drivers:

- Gross video gambling income (defined as net of payouts)
- Tax rate
- Fee amounts

Statutory Reference:

Tax Rate (MCA) – card table fee (23-5-306(2)), video tax (23-5-610(1)), machine permit fee (23-5-612(2))

Tax Distribution (MCA) - card table fee (23-5-306(3&4)), video (23-5-610(6)), machine permit fee (23-5-612(3))

Date Due – card table fees due annually and distributed quarterly to local governments (23-5-306(1&4)), video tax due 15 and 25 days after the end of the quarter (23-5-610(5)(a&b)), machine permit fees due annually prorated on a quarterly basis (23-5-612(2a))

% of Total FY 2004 General Fund: 3.69%

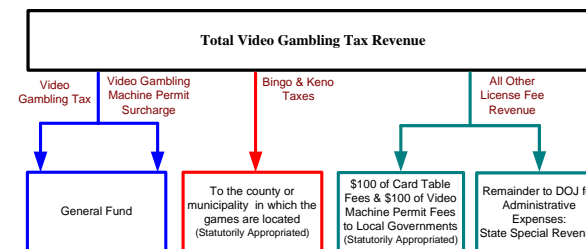
Reasons For Historical Changes:

- Tax Changes
 - Fiscal 1986 – House Bill 236 (Chapter 720) established the “Video Draw Poker Machine Control Act of 1985” that provided for: 1) a \$1,500 machine license fee of which 5 percent is earmarked for administration and one-third of the remainder is deposited to the general fund (the other two-thirds was statutorily appropriated to local governments).
 - Fiscal 1988 –House Bill 863 (Chapter 603): 1) instituted a tax of 15 percent of keno and video draw poker machine net income, one-third of which is deposited to the general fund; and 2) changed the machine license fee for video and keno machines to \$100, all of which is earmarked for administration.
 - Fiscal 1990 – Senate Bill 431 (Chapter 642): 1) increased the machine license fee to \$200, \$100 of which was earmarked for administration and \$100 was statutorily appropriated to local governments; and 2) enacted to live card game table permit fee of \$250 for the first table and \$500 for each additional table, \$100 of which was is used for administration and the remainder is statutorily appropriated to local governments.
 - Fiscal 1992 – Senate Bill 427 (Chapter 647) changed the 15 percent tax levied on net proceeds to one levied on gross proceeds effective in fiscal 1992.

Forecast Methodology



Distribution Methodology



- Fiscal 1993 - In the July 1992 special session (House Bill 44, Chapter 15), the legislature in special session implemented a 7% surcharge on all taxes, including the video gambling tax, the proceeds from which were deposited to the general fund. The surcharge for this tax applied to tax liabilities for fiscal 1993 and increased general fund collections in fiscal 1993.
- Fiscal 2001 – House Bill 124 (Chapter 574) de-earmarked to the general fund the local government's portion of the tax. Since the portion of the legislation applicable to this tax was effective April 2001, total collections for the last quarter of fiscal 2001 were deposited to the general fund. Fiscal 2002 reflects a full year of tax deposits to the general fund.
- Fiscal 2004 – House Bill 162 (Chapter 29) increased the machine permit fee to \$220, \$120 of which is used for administration. House Bill 758 (Chapter 471) established a machine permit surcharge based on the number of machines: 1) \$10 for each machine in an establishment with less than 20 machines; and 2) \$20 for each machine in an establishment with 20 machines.
- Economic Changes
 - Greater consumption possible due to thriving economy
 - Decline in consumption possible due to sluggish economy

Legislative Fiscal Division



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Taxes in Brief...

Video Gambling Tax

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Fiscal Pocket Guide



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Video Gambling Tax

Revenue Description:

Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0 percent of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes. With the enactment of House Bill 124 by the 2001 legislature, all of the video gambling tax is deposited into the general fund.

Applicable Tax Rate(s):

License Fees

- Video Gambling Machine Permit - \$220 annually (prorated basis), \$25 machine transfer processing fee
- Video Gambling Machine Permit Surcharge - \$10 annually per machine in establishments with fewer than 20 machines, \$20 annually per machine in establishments with 20 machines
- Video Gambling Manufacturer License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture

license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.

- Video Gambling Machine Examination Fee - An amount equal to actual DOJ costs of examining the electronic equipment
- Distributor License - \$1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- Route Operator License - \$1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application..
- Bingo/Keno Manufacture License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- Gambling Establishment Operator License - An amount equal to the actual DOJ costs of determining licensure qualifications
- Antique Slot Machine Seller Permit - \$50 annually
- Live Card Game Table - \$250 annually for the first table and \$500 for each additional table
- Card Game Dealer License - \$75 for the first year, \$25 for each subsequent year
- Pinochle Tournament Permit - \$25
- Card Room Contractor License - \$150 annually
- Bingo/Keno Permit - \$250 annually
- Bingo/Keno Examination Fee - An amount equal to actual

